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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF PACIFICORP DBA ROCKY MOUNTAIN POWER'S APPLICATION TO MODIFY ELECTRIC SERVICE SCHEDULE 135 – NET METERING SERVICE	**CASE NO. PAC-E-16-07** **COMMENTS OF THE COMMISSION STAFF**

The Staff of the Idaho Public Utilities Commission comments as follows on Rocky Mountain Power's Application.

BACKGROUND

On February 29, 2016, Rocky Mountain Power ("Company") applied to the Commission for authority to modify Electric Service Schedule No. 135 - Net Metering Service by raising the current participation cap from 714 kilowatts ("kW") to 2,000 kW. The Company explains that it began offering net metering service to customers in 2003 pursuant to Commission Order No. 29260, which capped participation in the net metering service at 714 kW. The Order also indicated that the cap should be reviewed when that limit is reached. In its Application, the Company reports that, as of December 31, 2015, participation in the net metering service has exceeded the 714 kW cap, with 161 customers on the net metering service having 1,049 kW of interconnected load.

The Company explains that it wants to increase the cap, instead of removing the cap, because the cap is a useful check point for the Company to report to the Commission on the extent to which the Company and non-participating customers are subsidizing net metering customers. The Company states the subsidy currently is a minor part of total Idaho retail revenue. But the subsidy will need to be addressed in the future. The Company thus proposes to maintain a cap by modifying Schedule 135 to raise the cap to 2,000 kW. The Company proposes that the changes take effect on May 1, 2016.

STAFF REVIEW

After reviewing the Company's Application and the Commission's prior decision on a similar issue raised by Idaho Power, Staff recommends that the Commission remove the cap instead of increasing it. Staff further recommends that the Company file an Annual Net Metering Report, updating Staff and the Commission on the status of net metering service. Lastly, Staff recommends that the Commission reject the Company's proposal, not discussed in the body of the Application, to decrease the total maximum connectivity per customer. Staff's recommendations are further explained below.

Remove the Net Metering Cap

Staff recommends that the Commission remove the cap and require annual reporting consistent with the Commission decision for Idaho Power's net metering service in order to reduce investment disruption and provide appraisals of service impact. By way of background, the Company began offering net metering service in Idaho through Electric Service Schedule No. 135 – Net Metering Service in 2003. *See* Order No. 29260. At the time, the Company modeled its Schedule No. 135 after Idaho Power's net metering Schedule 84. See PacifiCorp's Answer and Request for Approval of Net Metering Schedule, at 4. Case No. PAC-E-03-04.

Subsequently, on November 30, 2012, Idaho Power asked the Commission for authority to increase its net metering cap from 2.9 megawatts ("MW") to 5.8 MW. The Commission denied Idaho Power's request, however, and removed the net metering cap altogether:

> We find that a cap may disrupt and have a chilling effect on the investment in and installation of distributed generation. Accordingly, we decline to adopt a cap at this time. That said, we find it reasonable and prudent for [Idaho Power] to closely monitor the net metering service and to provide an annual appraisal of the service's status and impact on the reliability of [Idaho Power's] system. Further, we expect [Idaho Power] to promptly notify us of any changes in the net metering service that materially affect the system.[1]

Order No. 32846 at 7 (Case No. IPC-E-12-27)

In the present case, the Company proposes to raise its net metering cap, and not just remove it, because the Company believes "the Commission did not intend the cap to be a hard cap.... Instead the cap was implemented to serve as a check point to report the impacts of net metering to the Commission." *See* Application at 14.

The Company's proposal to increase the cap is similar to the request by Idaho Power that the Commission previously rejected. As in the prior case, the Commission should, therefore, reject the Company's proposal and instead remove the cap and require annual reporting.

Require an Annual Net Metering Report

While the Company believes a cap serves as a useful check point for the Company to report to the Commission on the net metering service, Staff prefers an annual net metering report that guarantees a yearly update of net metering activity. Staff notes that the information provided by the Company in this case is the first update on net metering the Commission has received since the inception of Schedule No. 135 nearly thirteen years ago. Staff further notes that the Company actually exceeded the cap some time ago with participation at 1,049 kilowatts at the end of 2015. Consequently, Staff believes that besides ordering the Company to remove the cap, the Commission should also direct the Company to file an annual report just as it has directed Idaho Power. The annual report would create transparency in the net metering program, providing Staff with better information when evaluating possible costs and benefits.

Staff notes that between 2010 and 2015, the number of Schedule 135 customers increased from 70 to 161, for a 17% annual growth rate. Over the same period, name-plate capacity has increased at a 29% annual growth rate, from 250 to 1,049 kilowatts, or slightly more than 0.1% of the Company's annual Idaho peak load. Staff believes that while the participation level and

[1] Case No. IPC-E-12-27 *Order No. 32846* at 7.

cost shifting is small, it is sufficiently large to require routine program monitoring to understand the potential impact on ratepayers.

Therefore, Staff suggests that the net metering annual report discuss the Company's net metering service, growth in participation, impact on non-net metering customers and potential impacts to power quality and reliability. The report should include customer count, generator type, name-plate capacity, total generation and contribution to system peak.

The Company predicts that, by January 1, 2018, Schedule 135 participation will grow to 1,800 kilowatts. The Company also plans to ask to modify its net metering program as part of its next general rate case. Given that the Company has committed to a general rate case stay-out with rates effective no sooner than January 1, 2018, Staff recommends that the Company's first report be filed by the end of 2017, or included as part of its next general rate case , whichever is earlier.

Reject Proposal to Decrease Total Maximum Connectivity per Customer

The Company's Application includes an original copy of Electric Service Schedule No. 135, as well as a modified version showing the proposed changes. The proposed tariff decreases the total maximum connectivity allowed for each customer from 20% to 5% of the cumulative generation nameplate capacity connected under this schedule. The Company's Application does not discuss the proposed change.

Staff believes that reducing each customer's total maximum connectivity to 5% conflicts with the Eligible Generating Plant size listed in the Tariff. Under the tariff's 'Definitions' section, an "Eligible Generating Plant may not have a generating capacity of more than twenty-five (25) kilowatts for customers taking service on Schedules 1, 36, 23, or 23A or one hundred (100) kilowatts for all other customers." Staff notes that, at the current interconnected load of 1,049 kW, a 100 kW Eligible Generating Plant would already exceed 5% of the total load. According to the tariff, the maximum capacity of a customer's Eligible Generating Plant cannot be reduced to 5% until the cumulative generation nameplate capacity connected under this schedule reaches 2,000 kW. Staff believes an Annual Net Metering Report would permit the Company to share any concerns it might have, such as the size of customer systems relative to the amount of total interconnected load. Staff thus recommends keeping the maximum cumulative generating capacity per customer at 20%.

CONCLUSIONS AND RECOMMENDATIONS

For the above reasons, Staff recommends that the Commission order the Company to: (1) eliminate rather than increase the net metering cap; (2) file Annual Net Metering Reports providing information on the status of net metering service with the first filing no later than year end 2017; (3) maintain the limit for cumulative generation nameplate capacity per customer at 20%; and (4) file a revised Electric Service Schedule No. 135 that is consistent with the Commission order.

Respectfully submitted this 6th day of April, 2016.

Karl T. Klein
Deputy Attorney General

Technical Staff: Michael W. Morrison
Mark Rogers

Umisc/comments/pace16.7kkmmmr comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 6TH DAY OF APRIL 2016, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. PAC-E-16-07, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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